Season 3 | Episode 70

Invest in Employee Health Care, Retirement, and Professional Development

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Gene Marks:
Hey, everybody, this is Gene Marks, and welcome to this week's edition of “On the Mark”. Thank you so much for joining me. As you know, what we do is I take some piece of news during the past week, maybe one or two items that impacts your small business and I give you some thoughts on how it impacts your business.

Hey, before we get started, just keep in mind if you've got any ideas for topics or advice or guests that you would like to recommend for our Paychex THRIVE podcast, please submit them at our web page, payx.me/thrivetopics. That's P-A-Y-X dot M-E/thrivetopics.

This week for the news I want to recover, I want to actually cover human resources. In fact, the Society for Human Resources Management, SHRM, they just recently released their 2022 Employee Benefits Survey. It was a survey that was taken between Jan. 11 and Feb. 28 of 2022. It collected responses from almost 3,200 HR professionals at organizations across all sizes, industries, and sectors throughout that period of time, and the findings were just recently released.

There are a few findings that i think are very, very important to us as small-business owners that I just wanted to highlight from this survey. And, by the way, if you'd like some more information about this survey, it's at shrm.org.

So, what are the findings that I think impacts all of us? Well, there are a few.

First of all, let's start with health care. Nearly three-quarters, 72% of the organizations that were surveyed, said they offered a fully insured health plan, meaning that they pay a fixed premium to an insurer who then pays the medical claims. So, we've got almost three-quarters of businesses that are doing it. Obviously, health care is an extremely important thing.

Now, if you're a small business and you're offering a healthcare plan, particularly a high-deductible plan, you really need to consider either flexible spending accounts or HSAs — health savings accounts. They continue to be, according to the survey, the most popular type of health-related spending accounts. Sixty-three percent and 57% of employers offer each of them respectively. Two-thirds, 63% of organizations that offer an HSA, said they also make employer contributions to these plans.

Remember, a health savings account is like a 401(k) for your employees. They can put money away pretax. You can contribute, as well. They use it for unreimbursed medical expenses — that can be anything from acupuncture to pharmaceuticals that aren't, you know, covered under a health plan. Whatever is not used can roll over to the next year, and even if an employee leaves your company, they can take that HSA account with them — whatever's left over. It's like a 401(k) for your health care, but very, very popular among employees and very easy and inexpensive to set up. Definitely something you want to consider.

The other thing I want to make sure that you're doing as well is making sure that your health insurance provider is providing some type of telehealth as well as mental health care. Ninety-three (93) percent of the organizations that were surveyed now say they provide access to telehealth care as a benefit since last recorded by the Society of Human Resource Management in 2019. This has increased by 20 percentage points. So be aware that that's there.

In addition to that, 91% of organizations are providing mental health coverage, as well. That has increased significantly over the past few years because there has been more awareness about mental health and mental health benefits.

So, you want to make sure that you're talking to your health insurance company, that they are providing some type of mental health coverage, as well. So, providing health insurance; very, very important. Offering HSAs or flexible spending accounts — I prefer HSAs, health savings accounts — another really great benefit for your employees and making sure that you're offering telehealth services as well as mental health benefits. These are all very, very popular benefits that are being offered this year on the health side.

Let's talk about retirement now. Listen, if you don't have a 401(k) plan, you are really in the minority: 95% of the people that were surveyed by SHRM said that they offer a traditional 401(k) plan funded with pretax dollars that are taxable as income, of course, is withdrawn during retirement. When employees contributed traditional 401(k) plans, 83% of the plan sponsors matched those contributions, capped at an average of about 6.8% of employees' base pay.

So again, an overwhelming number of employers are offering 401(k) plans and they're also matching these contributions, as well. Surprisingly, and interestingly, 68% of the people surveyed said they offer a Roth 401(k) plan, as well. Now, remember, these Roth 401(k)s are funded with after-tax dollars, but they grow tax-free and can be withdrawn tax-free on retirement. When employees contribute to Roth accounts, 76% of the plan sponsors provided a match, also capped at around the same as regular for one case, about 6.7% of an employee's base pay.

So, you got to be offering a retirement plan. Very inexpensive to be setting that up. Remember that under the SECURE Act of 2019, if you have less than 100 employees the government will reimburse you through tax credits for the costs of setting up your 401(k) plan, and if you make it automatic enrollment you can get additional tax credits, as well.

So, offer a 401(k) plan and also consider an offer like an after-tax plan as well: a Roth 401(k) plan. People seem to love it.

Hybrid work. Across all organizations, 62% said that they offer employees a subsidy, a subsidy or reimbursement for at-home office or work equipment. Now we know that a lot of us are allowing our employees to work from home more than ever. But this is an enormous amount of employers, almost two-thirds, that are actually subsidizing the costs of working from home.

The survey found that employers on average provided about $891 on average to employees to cover the cost related to working from home. Ninety-five (95) percent of the employers surveyed said that they cover costs related to work technology at home, like a computer monitor or a keyboard or a headset. Sixty-eight (68) percent said they cover the cost related to general office supplies they're using at home, and even a quarter of them said that they cover the cost of chairs for employees working from home.

So, be a mind that if you are going to pay your employees or allow your employees to work from home, you also have to budget for the fact that you're going to want to reimburse them for some of their out-of-pocket costs of the expenses of working from home.

Parental leave has been scaled back a little bit, just so you know. We knew that was very important during the pandemic, but the number of organizations offering paid maternity leave actually dropped to 35% in 2022, down from 53% in 2020. The number offering paid paternity leave fell to 27%, down from 44%. So, it's interesting, paid paternity leave. Excuse me. So, the people that are offering both maternity and paternity leave, there are less organizations that have been doing that this year compared to during the pandemic.

So, even still, still a pretty significant number. I mean one-third of organizations surveyed are offering really some type of either paid maternity or paternity leave, and that should be something that you want to consider.

Finally, let me jump down to professional development and tuition aid. The number of employers in this survey that viewed professional development benefits as important to offer rebounded in 2022 after falling during the pandemic: 78% of the organization's survey now pay for opportunities to develop new skills. That's up from 74%.

Remember guys, if you pay for the education for your employees and it doesn't even have to be work related, although it would be good that it is, you can get a tax deduction, too: 5,250 bucks per employee for education expenses you can deduct and your employees won't get taxed, which is why I think a large number of employers not only encourage it but are helping to pay for outside professional development.

But remember, it doesn't necessarily have to be related to work. It can be like a hobby. You want to pay for somebody to take a flying class or their baking lessons or yoga. That's actually okay. Under the tax rules, you still get a deduction and it provides that benefit to employees.

Finally, and most surprisingly to me, student loan repayment assistance was only offered by 7% of respondents this year, and that was actually down a notch from 8% in 2020. Now, I think that that's a benefit that is going to be increasing over the coming years, mainly because there are so many young workers that are so burdened by student loans. Maybe if the Biden administration forgives some of these student loans, this benefit won't be as important. But right now, it's a big deal to a lot of younger workers.

And bear in mind, through 2025 — and thanks to one of the previous stimulus bills — you can also get a tax deduction for helping pay your student loans for your employees up to $5,250 per employee. That's in addition to the other deduction I mentioned for helping them with education.

So, consider paying down your student loans for some of your employees, maybe after they've worked for you for a year or two. Could be a great benefit to provide to retain those employees or even attract new ones.

These are all the takeaways that I got from the Society for Resource Human Resource Management's 2022 Employment Employee Benefits survey, which just came out this past week. You can access it at shrm.org.

Hope this information is helpful to you guys. That's the news for this week. Employee benefits could not be any more important, right? My name is Gene Marks. You've been listening to "On the Mark". If you would like to listen to our other Paychex THRIVE podcast or if you would like to offer advice or comments or suggested guests, visit us at payx.me/thrivetopics. That's P-A-Y-X dot M-E/thrivetopics. Thanks for listening. We will see you again next week. Take care.